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GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF EDUCATION  
LANSING



THOMAS D. WATKINS, JR.  
SUPERINTENDENT OF  
PUBLIC INSTRUCTION

**MEMORANDUM**

**To:** State Board of Education

**From:** Tom Watkins

**Date:** December 10, 2004

**Subject:** Update of Federal and State Budgets Linked to the Strategic Plan

Federal Budget

In the months leading up to the final consideration of the Omnibus FY 2005 Appropriations Bill, education advocates were reassured that Congress would duplicate the preceding years' \$1 billion funding increases for Title I and IDEA. Efforts concentrated on restoring Title V Innovative Programs, Even Start, Comprehensive School Reform, and smaller programs targeted by the Bush Administration or in disfavor with either the House or Senate Appropriations Committees. Congress ended its marathon lame duck session on November 19-20; Title I got an annual \$397.3 million increase and IDEA received \$512.9 million. The total education funding line was \$56.577 billion, about \$700,000 less than the President's request of \$57.3 billion.

Overall, education programs (see attachment) have been the beneficiaries of ongoing regular increases in funding through several Presidential administrations. The FY 05 budget is a significant departure. In addition to Title I and IDEA, major winners of this appropriations cycle were: Early Reading First, \$9.7 million or 10.3% increase; Mathematics and Science Partnerships, \$29.4 million or 19.7% increase; School Leadership, \$2.5 million or 20.5% increase; Advanced Placement Fee, \$6.2 million or 26.5% increase; Strengthening Historically Black Colleges and Universities, \$15.8 million or 7.1% increase; and Strengthening Historically Black Graduate Institutions, \$4.9 million or 9.3% increase.

An across the board cut of .8 percent is being applied to all programs under the jurisdiction of the U.S. Department of Education (USED) so that the overall omnibus funding bill will meet the target. Programs that received the largest cuts in the appropriations were: Comprehensive School Reform, \$28.3 million or 12.1% cut; Educational Technology State Grants, \$195.8 million or 28.3% cut; State Grants for Innovative Education Programs (Title V), \$98.1 million or 33.1% cut; Community Technology Centers, \$5 million or 50.1% cut; Perkins Loans, \$99.3 million or 60% cut; and Teacher Quality Enhancement Grants, \$20.6 million or 23.1% cut.

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President Bush will set the stage for spending when he issues his budget some time after the Inaugural in mid January. There has been considerable speculation about significant education cuts because of a May 19, 2004, White House memorandum from the Office of Management and Budget (OMB). That memorandum directed USED funding for 2006 to be cut by \$1.5 billion from the President's 2005 requested level, or \$55.9 billion from \$57.3 billion. However, as we all know, this is part of the ongoing budget process, and nothing is final, until it is final.

### State Budget

The Governor initiated a new process to develop the FY 06 budget based on "The Price of Government" by Osborne and Hutchinson. Budgeting for Outcomes requires state policy makers to identify major goals, strategies, performance measures, and activities that will lead to those outcomes. Each activity has a price; those involved in the process must decide what is most important to achieve the overall goal and cut those activities that are less likely to achieve the outcome, if money is not available. This process began in late October; six goals were identified:

1. Better Government - Make government in Michigan more cost effective and efficient.
2. Economy - Sustain and create business investment and jobs in Michigan.
3. Education – Improve student achievement.
4. Environment – Enhance the quality of Michigan's natural environment.
5. Health and Human Services – Make Michigan's people healthier and communities stronger and more secure.
6. Home land Security – Make Michigan's communities safer and protect our citizens.

The Department of Education has the lead for the Education Goal. A significant amount of time has been, and will continue to be, devoted to this exercise. The results will be presented to the Governor on December 15. Strategies identified by Department staff, in collaboration with representatives of other state agencies involved in education initiatives, are attached on a sheet that includes the SBE goal and objectives for comparison.

### State Board/MDE Strategic Plan

The new budget process began just as staff began to schedule forums across the state to review and provide input for the State Board and Department Strategic Plan that resulted from the planning session in May and in response to the CCSSO-MGT Diagnostic Report. The overall education goal aligns well with the SBE strategic goal. The education goal strategies/objectives also align with the State Board/MDE strategic plan. Staff will work to blend these two initiatives to assure that educators view a seamless alignment of work from the state level. However, while necessary and prudent, it will obviously lengthen the time it will take to complete our strategic planning process.

Funds for State Formula-Allocated and Selected Student Aid Programs  
U.S. Education Funding  
Michigan

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|  | 2001        | 2002          | 2003          | 2004          | 2005          | Change Fiscal Year 2004 to 2005 |         | FY 2001 to 2005 |
|--|-------------|---------------|---------------|---------------|---------------|---------------------------------|---------|-----------------|
|  | Actual      | Actual        | Actual        | Estimate      | Estimate      | Amount                          | Percent | % Change        |
| ESEA Title I Grants to Local Educational Agencies  | 358,607,664 | 420,799,581   | 420,799,581   | 416,586,723   | 431,790,500   | 15,203,777                      | 3.6%    | 20.4%           |
| Reading First State Grants   | 0           | 29,421,092    | 28,898,636    | 27,434,834    | 29,903,891    | 2,469,057                       | 9.0%    | —               |
| Even Start   | 8,704,774   | 8,908,401     | 7,127,234     | 7,070,460     | 0             | -7,070,460                      | -100.0% | -100.0%         |
| State Agency Program—Migrant   | 8,959,888   | 8,614,869     | 8,614,869     | 8,616,714     | 8,616,711     | -3                              | 0.0%    | -3.8%           |
| State Agency Program—Neglected and Delinquent  | 648,788     | 508,176       | 905,883       | 579,190       | 579,192       | 2                               | 0.0%    | -10.7%          |
| Comprehensive School Reform (Title I)  | 8,632,096   | 9,019,140     | 9,195,502     | 7,507,172     | 0             | -7,507,172                      | -100.0% | -100.0%         |
| Capital Expenses for Private School Children   | 144,005     | 0             | 0             | 0             | 0             | N/A                             | N/A     | N/A             |
| Subtotal, Education for the Disadvantaged  | 385,697,215 | 477,271,259   | 473,541,705   | 467,795,093   | 470,890,294   | 3,095,201                       | 0.7%    | 22.1%           |
| Impact Aid Basic Support Payments  | 2,884,736   | 3,028,113     | 3,520,539     | 4,578,040     | 4,239,464     | -338,576                        | -7.4%   | 47.0%           |
| Impact Aid Payments for Children with Disabilities   | 230,294     | 209,392       | 259,440       | 287,047       | 287,048       | -1                              | 0.0%    | 24.6%           |
| Impact Aid Construction  | 0           | 0             | 0             | 0             | 0             | 0                               | —       | —               |
| Subtotal, Impact Aid   | 3,115,030   | 3,237,505     | 3,779,979     | 4,865,087     | 4,526,510     | -338,577                        | 7.0%    | 45.3%           |
| Improving Teacher Quality State Grants   | 0           | 109,386,199   | 109,667,289   | 109,362,769   | 109,362,766   | -3                              | 0.0%    | —               |
| Mathematics and Science Partnerships   | 0           | 0             | 2,618,619     | 3,870,222     | 3,889,655     | 19,433                          | 0.5%    | —               |
| Educational Technology State Grants  | 17,714,845  | 24,296,861    | 20,457,029    | 20,978,708    | 20,842,232    | 136,474                         | -0.7%   | 17.7%           |
| 21st Century Community Learning Centers  | 0           | 11,748,583    | 21,775,047    | 31,149,708    | 31,080,656    | -69,052                         | -0.2%   | —               |
| State Grants for Innovative Programs   | 13,629,535  | 13,288,328    | 13,201,954    | 10,019,682    | 10,019,699    | 17                              | 0.0%    | 26.5%           |
| State Assessments  | 0           | 10,503,836    | 10,857,084    | 11,049,831    | 11,396,173    | 346,342                         | 3.1%    | —               |
| Rural and Low-income Schools Program   | 0           | 2,057,825     | 494,052       | 494,576       | 494,576       | 0                               | 0.0%    | —               |
| Small, Rural School Achievement Program  | 0           | 1,998,332     | 1,865,182     | 1,866,176     | 1,866,177     | 1                               | 0.0%    | —               |
| State Grants for Community Service for Expelled or Suspended Students                      | 0           | 1,769,342     | 1,778,273     | 0             | 0             | 0                               | —       | —               |
| Indian Education—Grants to Local Educational Agencies                                      | 3,582,235   | 3,541,010     | 3,270,437     | 3,126,241     | 3,269,321     | 143,080                         | 4.6%    | -8.7%           |
| Fund for the Improvement of Education—Comprehensive School Reform                          | 1,793,357   | 2,622,586     | 2,805,549     | 2,539,559     | 0             | 2,539,559                       | 100.0%  | 100.0%          |
| Safe and Drug-Free Schools and Communities State Grants                                    | 16,256,834  | 16,256,834    | 16,256,834    | 16,256,834    | 16,256,834    | 0                               | 0.0%    | 0.0%            |
| Eisenhower Professional Development State Grants   | 16,491,526  | 0             | 0             | 0             | 0             | N/A                             | N/A     | N/A             |
| Class Size Reduction   | 68,086,819  | 0             | 0             | 0             | 0             | N/A                             | N/A     | N/A             |
| Language Acquisition State Grants  | 0           | 5,224,759     | 6,398,793     | 8,220,261     | 8,811,086     | 590,825                         | 7.2%    | —               |
| Immigrant Education  | 1,577,126   | 0             | 0             | 0             | 0             | N/A                             | N/A     | N/A             |
| Subtotal, All of the Above Programs, which constitute the No Child Left Behind Act of 2001 | 527,944,522 | 683,203,289   | 688,587,826   | 691,594,745   | 692,705,979   | 1,111,234                       | 0.2%    | 31.2%           |
| Education for Homeless Children and Youth  | 1,385,466   | 2,011,297     | 1,754,036     | 1,919,003     | 1,879,821     | -39,182                         | -2.0%   | 35.7%           |
| State Grants for Incarcerated Youth Offenders  | 743,771     | 750,556       | 886,622       | 959,089       | 0             | 959,089                         | 100.0%  | 100.0%          |
| School Renovation Grants   | 43,890,623  | 0             | 0             | 0             | 0             | N/A                             | N/A     | N/A             |
| Special Education—Grants to States   | 216,776,390 | 280,135,764   | 308,119,146   | 353,312,585   | 383,668,977   | 30,356,392                      | 8.6%    | 77.0%           |
| Special Education—Preschool Grants   | 12,853,643  | 12,853,643    | 12,774,278    | 12,781,221    | 12,781,221    | 0                               | 0.0%    | -0.6%           |
| Grants for infants and Families  | 12,303,461  | 13,646,869    | 14,210,424    | 13,884,130    | 14,563,329    | 679,199                         | 4.9%    | 18.4%           |
| Subtotal, Special Education  | 241,933,494 | 286,636,276   | 335,103,848   | 379,977,936   | 411,013,527   | 31,035,591                      | —       | 69.9%           |
| Secondary and Technical Education State Grants   | 0           | 0             | 0             | 0             | 33,671,289    | 33,671,289                      | —       | —               |
| Vocational Education State Grants  | 38,255,683  | 41,121,267    | 39,517,200    | 40,050,768    | 0             | -40,050,768                     | 100.0%  | -100.0%         |
| Tech-Prep Education State Grants   | 3,768,685   | 3,858,222     | 3,844,492     | 3,844,492     | 0             | -3,844,492                      | 100.0%  | -100.0%         |
| Adult Basic and Literacy Education State Grants  | 15,159,503  | 16,310,506    | 14,679,457    | 14,871,841    | 14,873,058    | 1,217                           | 0.0%    | -1.9%           |
| English Literacy and Civics Education State Grants   | 1,160,594   | 1,259,116     | 1,332,484     | 1,352,789     | 1,352,795     | 6                               | 0.0%    | 16.6%           |
| Subtotal, Vocational and Adult Education   | 58,344,465  | 62,549,113    | 59,173,613    | 59,919,890    | 49,697,142    | -10,022,748                     | -16.7%  | -14.5%          |
| Subtotal, All Elementary/Secondary Level Programs  | 874,242,341 | 1,035,150,511 | 1,085,485,945 | 1,134,370,663 | 1,155,496,469 | 21,125,806                      | 9%      | 32.2%           |



# Final FY 05 Education Funding Levels in H.R. 4818 H.Rept 107-792

Funding Levels for Selected Education Programs (In Millions) - Page 1

| Funding for Selected Education Programs                     | FY 04 Enacted | FY 05 Final Conference* | Difference FY 05 - FY 04 | Percent Difference |
|---|---------------|-------------------------|--------------------------|--------------------|
| Title I (Subtotal Grants to LEA's) (a)                      | \$12,342.3    | \$12,739.6              | \$397.3                  | 3.2%               |
| Title I (Basic Grants)                                      | \$7,037.6     | \$6,934.9               | -\$102.7                 | -1.5%              |
| Title I (Concentration Grants)                              | \$1,365.0     | \$1,365.0               | \$0.0                    | 0.0%               |
| Title I (Targeted Grants)                                   | \$1,969.8     | \$2,219.8               | \$250.0                  | 12.7%              |
| Title I (Education Finance Incentive Grants)                | \$1,969.8     | \$2,219.8               | \$250.0                  | 12.7%              |
| Reading First State Grants                                  | \$1,023.9     | \$1,041.6               | \$17.7                   | 1.7%               |
| Early Reading First   | \$94.4        | \$104.2                 | \$9.7                    | 10.3%              |
| Reading First (Total)                                       | \$1,118.4     | \$1,145.8               | \$27.4                   | 2.4%               |
| Striving Readers  | n/a           | \$24.8                  | \$24.8                   | n/a                |
| Even Start*   | \$246.9       | \$225.1                 | -\$21.8                  | -8.8%              |
| Literacy through School Libraries                           | \$19.8        | \$19.7                  | -\$0.2                   | -0.8%              |
| Migrant Education (State Agency Programs)                   | \$393.6       | \$390.4                 | -\$3.1                   | -0.8%              |
| Comprehensive School Reform                                 | \$233.6       | \$205.3                 | -\$28.3                  | -12.1%             |
| Migrant Education - High School Equivalency Pgm             | \$18.9        | \$18.7                  | -\$0.2                   | -0.8%              |
| Migrant Education - College Assistance Migrant Pgm          | \$15.7        | \$15.5                  | -\$0.1                   | -0.8%              |
| HEP-CAMP Subtotal   | \$34.5        | \$34.3                  | -\$0.2                   | -0.7%              |
| Impact Aid (total)  | \$1,229.5     | \$1,243.9               | \$14.3                   | 1.2%               |
| Impact Aid (construction)                                   | \$45.9        | \$48.5                  | \$2.6                    | 5.7%               |
| Improving Teacher Quality State Grants                      | \$2,930.1     | \$2,916.6               | -\$13.5                  | -0.5%              |
| Early Childhood Professional Development                    | \$14.8        | \$14.7                  | -\$0.1                   | -0.8%              |
| Mathematics & Science Partnerships                          | \$149.1       | \$178.6                 | \$29.4                   | 19.7%              |
| Educational Technology State Grants                         | \$691.8       | \$496.0                 | -\$195.8                 | -28.3%             |
| 21st Century Community Learning Centers                     | \$999.1       | \$991.1                 | -\$8.0                   | -0.8%              |
| State Grants for Innovative Education Programs              | \$296.5       | \$198.4                 | -\$98.1                  | -33.1%             |
| State Assessments   | \$390.0       | \$411.7                 | \$21.7                   | 5.6%               |
| Training and Advisory (Title IV-CRA)                        | \$7.2         | \$7.2                   | -\$0.1                   | -0.8%              |
| Rural Education   | \$167.8       | \$170.6                 | \$2.8                    | 1.7%               |
| Indian Education (total)                                    | \$120.9       | \$119.9                 | -\$1.0                   | -0.8%              |
| Transition to Teaching                                      | \$45.3        | \$44.9                  | -\$0.4                   | -0.8%              |
| Teaching of American Traditional History                    | \$119.3       | \$119.0                 | -\$0.3                   | -0.2%              |
| School Leadership   | \$12.3        | \$14.9                  | \$2.5                    | 20.5%              |
| Advanced Credentialing                                      | \$18.4        | \$16.9                  | -\$1.5                   | -8.3%              |
| Charter Schools Grants                                      | \$218.7       | \$217.0                 | -\$1.8                   | -0.8%              |
| Credit Enhancement for Charter School Facilities            | \$37.3        | \$37.0                  | -\$0.3                   | -0.8%              |
| Voluntary Public School Choice                              | \$26.8        | \$26.5                  | -\$0.2                   | -0.8%              |
| Magnet Schools Assistance                                   | \$108.6       | \$107.8                 | -\$0.9                   | -0.8%              |
| Choice Demonstration/Incentive Fund                         | \$0.0         | \$0.0                   | \$0.0                    | --                 |
| Advanced Placement Fees                                     | \$23.5        | \$29.8                  | \$6.2                    | 26.5%              |
| Dropout Prevention  | \$5.0         | \$4.9                   | \$0.0                    | -0.8%              |
| Fund for the Improvement of Education-Pgms of Nat'l signif. | \$280.5       | \$258.1                 | -\$22.3                  | -8.0%              |
| Star Schools  | \$20.4        | \$20.8                  | \$0.5                    | 2.3%               |
| Arts in Education   | \$35.1        | \$35.6                  | \$0.6                    | 1.6%               |
| Parental Assistance Information Centers                     | \$42.0        | \$41.9                  | -\$0.1                   | -0.2%              |
| Safe and Drug-Free Schools and Communities State Grants     | \$440.9       | \$437.4                 | -\$3.5                   | -0.8%              |
| Character Education   | \$24.7        | \$24.5                  | -\$0.2                   | -0.8%              |
| Elementary and Secondary School Counseling                  | \$33.8        | \$34.7                  | \$0.9                    | 2.7%               |
| English Language Acquisition State Grants                   | \$681.2       | \$675.8                 | -\$5.5                   | -0.8%              |

\*The funding levels in this table reflect the effect of the 0.8% across-the-board rescission on the conference report figures.

President's Initiatives are in bold type.

# Final FY 05 Education Funding Levels in H.R. 4818 H.Rept 107-792

Funding Levels for Selected Education Programs (In Millions) - Page 2

| Funding for Selected Education Programs                     | FY 04 Enacted | FY 05 Final Conference* | Difference FY 05 FY 04 | Percent Difference |
|---|---------------|-------------------------|------------------------|--------------------|
| Special Education- IDEA (total)                             | \$11,160.7    | \$11,673.6              | \$512.9                | 4.6%               |
| Special Education Grants to States Part B                   | \$10,068.1    | \$10,589.7              | \$521.6                | 5.2%               |
| Special Education Preschool Grants to States                | \$387.7       | \$384.6                 | -\$3.1                 | -0.8%              |
| Special Education Grants for Infants and Families-State     | \$444.4       | \$440.8                 | -\$3.6                 | -0.8%              |
| Special Education Personnel Preparation-National Activities | \$91.4        | \$90.6                  | -\$0.7                 | -0.8%              |
| Technical Assistance and Dissemination                      | \$52.8        | \$52.4                  | -\$0.4                 | -0.8%              |
| Vocational Education (total)                                | \$1,327.8     | \$1,326.1               | -\$1.7                 | -0.1%              |
| <b>Voc Ed - Secondary &amp; Technical State Grants</b>      | \$0.0         | \$0.0                   | \$0.0                  | --                 |
| Vocational Education State Grants                           | \$1,195.0     | \$1,194.3               | -\$0.7                 | -0.1%              |
| Vocational Education Tech-Prep State Grants                 | \$106.7       | \$105.8                 | -\$0.9                 | -0.8%              |
| Adult Basic and Literacy Education State Grants             | \$574.4       | \$569.7                 | -\$4.7                 | -0.8%              |
| Adult Education (subtotal)                                  | \$590.2       | \$585.4                 | -\$4.8                 | -0.8%              |
| Smaller Learning Communities                                | \$174.0       | \$94.5                  | -\$79.5                | -45.7%             |
| Community Technology Centers                                | \$9.9         | \$5.0                   | -\$5.0                 | -50.1%             |
| Pell Grants (total)   | \$12,006.7    | \$12,365.0              | \$358.3                | 3.0%               |
| Pell Grant maximum grant (\$ in thousands)                  | \$4,050.0     | \$4,050.0               | \$0.0                  | 0.0%               |
| Federal Supplemental Educational Opportunity Grants - SEOG  | \$770.5       | \$778.7                 | \$8.3                  | 1.1%               |
| Federal Work-Study  | \$998.5       | \$990.3                 | -\$8.2                 | -0.8%              |
| Federal Perkins Loans-Capital Contributions                 | \$98.8        | \$0.0                   | -\$98.8                | -100.0%            |
| Perkins Loan Cancellations                                  | \$66.7        | \$66.1                  | -\$0.5                 | -0.8%              |
| Perkins Loan (Total)  | \$165.4       | \$66.1                  | -\$99.3                | -60.0%             |
| Leveraging Educational Assistance Partnerships (LEAP)       | \$66.2        | \$65.6                  | -\$0.5                 | -0.8%              |
| Strengthening Institutions                                  | \$81.0        | \$80.3                  | -\$0.6                 | -0.8%              |
| Strengthening Historically Black Colleges and Universities  | \$222.8       | \$238.6                 | \$15.8                 | 7.1%               |
| Strengthening Historically Black Graduate Institutions      | \$53.1        | \$58.0                  | \$4.9                  | 9.3%               |
| Developing Hispanic-Serving Institutions                    | \$94.0        | \$95.1                  | \$1.1                  | 1.2%               |
| International Education & Foreign Language Studies-Subtotal | \$103.7       | \$106.8                 | \$3.1                  | 3.0%               |
| Fund for the Improvement of Postsecondary Education         | \$156.9       | \$162.6                 | \$5.7                  | 3.6%               |
| Demonstration Projects for Students with Disabilities       | \$6.9         | \$6.9                   | \$0.0                  | 0.4%               |
| TRIO (total)  | \$832.6       | \$836.5                 | \$4.0                  | 0.5%               |
| GEAR UP   | \$298.2       | \$306.5                 | \$8.3                  | 2.8%               |
| Byrd Honor Scholarships                                     | \$40.8        | \$40.7                  | -\$0.1                 | -0.2%              |
| Javits Fellowships  | \$9.9         | \$9.8                   | -\$0.1                 | -0.8%              |
| Graduate Assistance in Areas of National Need               | \$30.6        | \$30.4                  | -\$0.2                 | -0.8%              |
| Child Care Access Means Parents in School                   | \$16.1        | \$16.0                  | -\$0.1                 | -0.8%              |
| Teacher Quality Enhancement Grants                          | \$88.9        | \$68.3                  | -\$20.6                | -23.1%             |
| Research Development and Dissemination                      | \$165.5       | \$164.2                 | -\$1.3                 | -0.8%              |
| Statistics  | \$91.7        | \$90.9                  | -\$0.7                 | -0.8%              |
| Research and Statistics                                     | \$257.2       | \$255.1                 | -\$2.1                 | -0.8%              |
| Regional Educational Laboratories                           | \$66.7        | \$66.1                  | -\$0.5                 | -0.8%              |
| Assessment (NAEPPA) Subtotal                                | \$94.8        | \$94.1                  | -\$0.7                 | -0.7%              |
| Department of Education Total Discretionary                 | \$55,662.5    | \$56,576.6              | \$914.1                | 1.6%               |
| <b>Head Start</b>   | \$6,783.0     | \$6,843.0               | \$60.0                 | 0.9%               |
| <b>Libraries</b>  | \$198.8       | \$206.1                 | \$7.3                  | 3.7%               |

The funding levels in this table reflect the effect of the 0.8% across-the-board rescission on the conference report figures.

President's Initiatives are in bold type.